What Democrats Are Saying About The Administrationâ€™s Draft Financial Stability Plan

Members Need Time To Review The Bill:

Rep. Paul Kanjorski (D-PA): "I understand that we are under pressure to get some things done. And unfortunately, we haven't had a great deal of time to spend in analyzing this proposition."

Proposal Creates A Permanent Bailout Authority:

Rep. Brad Sherman (D-CA): "Unfortunately, you've got in here what I call TARP on steroids. You've got permanent, unlimited bailout authority. This is the most unprecedented transfer of power to the executive branch to make decisions about both spending and taxes in history, all without congressional approval, and a sharp departure from our congressional -- from our constitutional values."

"And depending upon what some future executive chooses to do, it authorizes the greatest transfer of money from treasury to Wall Street ever."

"The bill allows for the bailout of both solvent and insolvent financial institutions."

Taxpayer Will Be On The Hook For Cost Of Resolving ‘Systemically Important' Firms:

Rep. Ed Perlmutter (D-CO): "...There is going to be a point where institutions we find insolvent or are systemically risky, and we take them down, we liquidate them, and that's going to require federal funds."

Taxpayers Repayment Is Unlikely:

Rep. Sherman: "The proposed statute directs the executive branch to get our money back within 60 months and then specifies "or such longer amount of time as the executive branch decides," and so it could be 60 years.

"I find it difficult to think how we would ever recoup from a single financial industry, particularly one in extremis, of the hundreds of billions of dollars which might be necessary to repay the taxpayer from the next bailout.

Unprecedented Delegation Of Congressional Authority To Executive Branch:

Rep. Kanjorski: "But what we're doing is allowing a board or council or organization to make determinations in a time of extremity -- no question about that -- that some of us may not agree that that authority rests in those entities or was -- or we even had the authority in this Congress to give that type of authority."

"I'm not a man that fears this administration or you. But I do fear the accumulation of power exercised by someone in the future that can be extraordinary."

Rep. Sherman: "Now, the executive branch is empowered -- look at this from a constitutional perspective -- the executive branch is empowered to write the new tax law, so how much money is paid by a medium-sized financial institution in your district, whether it's $100,000 or $100 million, is totally at the whim of the executive branch and could go up or down by that factor, depending upon what the executive branch wants to do."

Financial Regulators Push Back:

Fails To Protect Taxpayers:

FDIC Chairman Sheila Bair: "To protect taxpayers, working capital for this new resolution process should be prefunded through industry assessments. We believe a prefunded reserve has significant advantages over an ex poste fund. All large firms, not just the survivors, would pay risk-based assessments into the fund. This approach would also avoid assessing firms in a crisis. The assessment base should encompass only activities outside insured depository institutions to avoid double- counting."

Continues "Too Big To Fail:"

FDIC Chairman Bair: "We would suggest changes that take away the power to appoint a conservator for a troubled firm, and eliminate provisions that could be interpreted to allow firm-specific support for open institutions. Ending too big to fail and the moral hazard it brings requires meaningful restraint from all types of government assistance, whatever its source. Any support should be subject, at a minimum, to the safeguards existing today in the systemic risk procedures."

"There is a suggestion of a conservatorship for failing institutions. We would think the process should be a receivership with the goal to be a prompt wind-down of the firm, breaking it up and returning it to the private sector."

A Secret List Is Unlikely To Be Kept Secret:

FDIC Chairman Bair: "It is probably unrealistic to think that a list like that is going to be kept secret."

OCC Comptroller John Dugan "At some level when you impose the requirement, you have to know who they are, and when you do it, there are significant people who understand who they are, so I think one way or another it's going to be hard not to disclose, in some way, shape or form, who they are.

Federal Reserve Governor Daniel Tarullo: "Surely, we can keep the list private, if that's what the Congress wants us to do, but through some combination of self- mandatory disclosures to shareholders and financial analysts' observation of the behavior of capital set aside and the like for firms, it's likely that most, if not all, of the institutions so identified would eventually be known to the public. As someone suggested, you may have a bit of a problem if an incorrect inference is drawn."

Democratic Allies Also Push Back:

Rick Trumka, President of the AFL-CIO: "We're also troubled by the provision in the discussion draft that would allow the federal government to provide taxpayer funds to failing banks and then bill other non-failing banks for the cost."

"We believe it would be more appropriate to require financial institutions to pay into an insurance fund on an ongoing basis."

"Finally, the discussion draft appears to envision a regulatory process that is secretive and optional. In other words the list of systemically significant institutions is not public, and the Federal Reserve could actually choose to take no steps to strengthen the safety and soundness regulation of those systemically significant institutions."

"We think that in these respects the discussion draft appears to take some of the problematic and unpopular aspects of the TARP and make them a model for permanent legislation."

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